

Message Text

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PAGE 01 BRUSSE 08531 01 OF 02 021859Z
ACTION EUR-12

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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 6348

UNCLAS SECTION 01 OF 02 BRUSSELS 08531

E.O. 11652: N/A
TAGS: PFOR, BE
SUBJECT: BELGIAN FOREIGN MINISTER COMMENTS ON THE DOLLAR, THE ERW,
JAPAN, SOUTH AFRICA, LATIN AMERICA AND THE MIDDLE EAST

1. FOREIGN MINISTER HENRI SIMONET PRESENTED A TOUR D'HORIZON
OF INTERNATIONAL PROBLEMS BEFORE PARLIAMENT ON APRIL 26 AS PART
OF A GENERAL DEBATE OF THE FOREIGN MINISTRY'S FY 1978 BUDGET.
FULL FRENCH TEXT POUCHED EUR/NE. FOLLOWING ARE EXCERPTS, IN
EMBASSY TRANSLATION, OF HIGHLIGHTS:

2. THE ROLE OF THE DOLLAR. "IN VIEW OF THE FORTHCOMING IMPORTANT
MEETINGS AT THE END OF MAY IN WASHINGTON AND IN JULY IN GERMANY,
IT IS OBVIOUS THAT THE RESTARTING OF THE EUROPEAN ECONOMIC AND
MONETARY UNION IS A MAJOR CONCERN OF THE EUROPEAN COUNCIL OF COPEN-
HAGEN. MR. JENKINS EXPRESSED THE HOPE A FEW MONTHS AGO IN
FLORENCE THAT DISCUSSIONS ON THIS SUBJECT WOULD START UP AGAIN
IN THE NEAR FUTURE. HE STRESSED THAT EUROPE FACED DETERIORATION
IF DEFINITE STEPS WERE NOT TAKEN. THE CHANGE IN ATTITUDE OF THE
FRG IN REGARD TO ECONOMIC AND MONETARY UNION COME AS A SURPRISE.
IN THE PAST THE FRG MADE SUCH A UNION CONTINGENT ON A CERTAIN
CONVERGENCE OF ECONOMIC POLICIES. IT TOOK THE CATASTROPHE
OF THE DOLLAR FOR GERMANY TO CHANGE ITS POSITION, PARTICULARLY IN
REGARD TO GREAT BRITAIN. THE DOLLAR SERVES THREE PURPOSES: IT
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PAGE 02 BRUSSE 08531 01 OF 02 021859Z

IS AN INSTRUMENT FOR RESERVES, A UNIT OF ACCOUNTING AND AN
INSTRUMENT FOR SETTLING DEBTS. SOME OF THESE FUNCTIONS HAVE
ERODED SOMEWHAT AS OTHER CURRENCIES HAVE SUBSTITUTED FOR THE
DOLLAR IN CERTAIN ROLES, NOTABLY THE EUROPEAN UNIT OF ACCOUNT,
THE MARK AND THE SWISS FRANC. HOWEVER, THE DOLLAR REMAINS THE
ONLY RESERVE CURRENCY IN THE WORLD. FOUR FIFTHS OF OIL-PRODUCING
COUNTRY PETROLEUM BILLS ARE IN DOLLARS. . . EUROPEANS MUST

TAKE CARE THAT THIS RESERVE CURRENCY REMAINS STABLE . . .
THE U.S. IS SUBJECT TO NO EXTERNAL PRESSURES. THE U.S. MUST,
THEREFORE, IMPOSE THIS PRESSURE ON THEMSELVES . . . THAT BEING
THE CASE, HOW FROM OUTSIDE CAN WE ACT ON THE AMERICANS TO BRING
THEM TO CHANGE THEIR ACTIONS? THERE IS A RADICAL MEANS. THE DAY
WHICH THE OIL PRODUCERS DEMAND A CURRENCY OTHER THAN THE DOLLAR
AS A PAYMENTS INSTRUMENT, THE U.S. WILL BE FORCED TO ACT.

HOWEVER, THE OIL PRODUCERS DO NOT WANT A CHANGE BECAUSE THE U.S.
IS THEIR NATURAL PROTECTOR IN MILITARY EQUIPMENT AS WELL AS
STRATEGICALLY. AND FURTHERMORE, IT WOULD REQUIRE THAT ANOTHER
COUNTRY ACCEPT THAT ITS MONEY BECOME A RESERVE CURRENCY. NEITHER
THE FRG NOR JAPAN APPEARS TO DESIRE THIS. THE HYPOTHESIS IS THUS
NOT PLAUSIBLE. WHAT CAN WE DO IN THIS CASE? THE OUTLINE OF A
SOLUTION MAY BE SEEN IN THE IDEAS PROPOSED BY CHANCELLOR SCHMIDT:
THAT WE SUBSTITUTE A SPECIFICALLY EUROPEAN UNIT OF ACCOUNT FOR THE
DOLLAR AS AN INTERVENTION CURRENCY; SETTLEMENTS TO BE MADE WITHIN
THE EUROPEAN FUND FOR MONETARY COOPERATION. WE WOULD THUS TRY TO
ELIMINATE THE DOLLAR IN INTRA-EUROPEAN SETTLEMENTS, TO REDUCE
PROGRESSIVELY THE RESERVE ROLE OF THE DOLLAR, AND TO LEAD THE U.S.
OVER THE LONGTERM TO A BETTER MONETARY RESERVE POLICY. THE SYSTEM
WOULD NOT FORMALLY ELIMINATE THE ROLE OF THE SNAKE, BUT THERE WOULD
BE A LARGER AND LESS RESTRICTIVE AGREEMENT . . ."

3. DEFENSE AND THE ERW. "LET US TAKE FOR EXAMPLE THE NEUTRON BOMB
AND THE VICISSITUDES SURROUNDING IT FOR WEEKS. I BELIEVE THAT THERE
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PAGE 03 BRUSSE 08531 01 OF 02 021859Z

WERE DIFFERENT VIEWPOINTS WITHIN THE AMERICAN ADMINISTRATION. FIRST
FOR MORAL REASONS AND BECAUSE IN ALL SINCERITY PRESIDENT CARTER WISHED

TO ACHIEVE A REDUCTION IN NUCLEAR WEAPONS, HE DEMONSTRATED A CERTAIN
ALLERGY TO THE NEUTRON BOMB. THERE THEN WERE PRESSURES FROM WITHIN
THE ADMINISTRATION - PRESSURES WHICH SHOULD BETTER HAVE COME FROM
EUROPE. AND THEN THE DECISION TO DEFER PRODUCTION OF THE BOMB
PROBABLY TOOK PLACE UNDER BAD CONDITIONS AT THE VERY TIME WHEN
EUROPEAN GOVERNMENTS FINALLY BEGAN TO SHOW THEMSELVES FAVORABLE.
IT WAS EVIDENTLY RATHER UNREALISTIC TO THINK THAT IT WOULD BE
POSSIBLE TO CONVINCE THE RUSSIANS TO MAKE THE DEAL WHICH PRESIDENT
CARTER PROPOSED TO THEM. IT IS NOT POSSIBLE TO MAKE A DEAL BETWEEN
SOMETHING WHICH DOES NOT YET EXIST AND SOMETHING WHICH DOES. FOR US
THE PATH TO FOLLOW WOULD HAVE BEEN A NEGOTIATION WHICH IN THE
LONGRUN WOULD HAVE MADE THE NEUTRON BOMB UNNECESSARY. I THINK THAT
AT THE STAGE AT WHICH THE DECISION WAS TAKEN IT WOULD HAVE BEEN
BETTER TO ASK THE SOVIETS TO REMOVE SOME HUNDREDS OF TANKS IN CENTRAL
EUROPE AS A TRADEOFF FOR SOMETHING THE AMERICANS HAD NOT YET
PRODUCED AND WHICH THE SOVIETS DID NOT WISH TO PRODUCE . . ."

4. JAPAN. ". . . CONCERNING OUR COMMERCIAL RELATIONS WITH JAPAN,
IF WE DO NOT FIND A WAY TO MAKE AN AGREEMENT WITH JAPAN, THE

PROTECTIONIST PRESSURES AGAINST JAPAN WILL NOT STOP GROWING. SUCH AN AGREEMENT WILL BE VERY DIFFICULT TO MAKE. WE HAVE EVERY RIGHT TO ASK THE JAPANESE TO INCREASE THEIR MULTILATERAL ASSISTANCE, THAT IS FOR UNTIED PRODUCTS."

5. SOUTH AFRICA. "... IS NOT A COUNTRY LIKE THE OTHERS. CERTAINLY IN THE COUNTRIES OF BLACK AFRICA, PEOPLE ARE BEING KILLED. BUT SOUTH AFRICA IS AT THE SAME TIME SO IMPORTANT POLITICALLY, ECONOMICALLY AND STRATEGICALLY THAT WE CANNOT

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PAGE 01 BRUSSE 08531 02 OF 02 021901Z
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UNCLAS SECTION 02 OF 02 BRUSSELS 08531

RISK MAINTAINING A REGIME WHICH WILL END UP SOONER OR LATER IN A BLOODY CONFRONTATION AND WITH SOME MILITARY INTERVENTIONS. IT IS BECAUSE WE ARE CONSCIOUS OF THIS THAT WE ASK SOUTH AFRICA TO MAKE THE ESSENTIAL CHANGES ..."

6. LATIN AMERICA. "AS TO LATIN AMERICA, IT IS NECESSARY NOT TO BE TOO RIGID. THERE IS ON THAT CONTINENT AN ENORMOUS POTENTIAL DYNAMISM AND, ADDITIONALLY, A SYMPATHY FOR EUROPE, WHICH IT IS ESSENTIAL THAT WE TAKE INTO ACCOUNT."

7. MIDDLE EAST. "IT IS CERTAIN THAT A LARGE MAJORITY OF ISRAELI PUBLIC OPINION GREETED THE VISIT OF PRESIDENT SADAT WITH HOPE; THAT THE POSSIBILITY OF A BILATERAL AGREEMENT WAS QUICKLY RAISED; AND THAT THE EGYPTIANS UNDERSTOOD THAT TO LIMIT THEMSELVES TO A BILATERAL AGREEMENT WITH ISRAEL WAS IMPOSSIBLE DUE TO THE PRESSURE OF OTHER ARAB STATES. THEY UNDERSTOOD THAT AN AGREEMENT LIMITED TO THE SINAI WOULD BE CATASTROPHIC ... I DO NOT BELIEVE IT NECESSARY TO AWAIT AN INITIATIVE FROM THE PARTICIPANTS IN THE NEGOTIATIONS AND THAT IT IS UP TO THE U.S. TO PROMPT THEM. TODAY ISRAEL IS A FACT WHICH THE ARAB COUNTRIES RECOGNIZE AS IRREVERSABLE. I BELIEVE THERE IS A GREAT HOPE FOR PEACE IN ISRAEL. I FINALLY THINK THAT EVERYONE MUST CONTRIBUTE TO ENSURE THAT THE DIALOGUE NOT BE BROKEN OFF AND THAT IS THE GOAL OF BELGIAN

ACTIONS."

8. COMMENTS FOLLOW SEPTTEL. CHAMBERS
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PAGE 02 BRUSSE 08531 02 OF 02 021901Z

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